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...what you need
to know

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**The Illinois
Department on Aging**

421 East Capitol Avenue
Springfield, Illinois 62706

Senior HelpLine

1-800-252-8966

(Voice and TDD)

Jim Edgar
Governor

Maralee I. Lindley
Director

A Reverse Mortgage is the opposite of a conventional mortgage. Instead of the homeowner sending a monthly payment to a lender, the lender pays the homeowner.

If you are age 62 or older, own your home, have little or no mortgage and could be considered "house rich and cash poor," a Reverse Mortgage could be the answer to your financial problems. A Reverse Mortgage isn't the answer for everyone; however, it may be just the thing for older homeowners who need cash and are not concerned about leaving their home as an inheritance to others.

Many people have long wanted to turn the investment in their homes into extra income -- but -- until recently, this has been impossible for most. In the past, homeowners were limited to selling their property or applying for a home equity loan in order to access income from home ownership.

The Illinois Legislature has passed an amendment to the Illinois Banking Act, making Reverse Mortgages available to older homeowners in Illinois. Reverse Mortgage (or home equity conversion) loans that are subject to U.S. Department of Housing and Urban Development (HUD) guidelines may be insured by the Federal Housing Administration (FHA), allowing senior homeowners to acquire a secure loan against the equity in their homes. The FHA mortgage limit for a given area, which currently ranges

from \$67,500 to \$151,725, is the maximum amount that can now be borrowed for a Reverse Mortgage. The loan is paid out as income and a variety of payment options are available:

- 🐼 Fixed monthly amount for a specific number of years;
- 🐼 A single lump sum; or
- 🐼 A line of credit coupled with a fixed monthly amount for a specified time period.

Whether or not a Reverse Mortgage is appropriate for an older homeowner, who qualifies for one, depends on that person's particular circumstances and desires.

Who is eligible?

- 🐼 All homeowners who are age 62 or older;
- 🐼 Those who occupy their home as their principle residence; and
- 🐼 Those who have little or no mortgage.

How much money can I get?

The amount is based on:

- 🐼 The value of the home;
- 🐼 The age of the homeowner;
- 🐼 The cost of the loan; and
- 🐼 The payment option selected.

How can I use the money?

Income generated from a Reverse Mortgage may be used for property tax and insurance payments, home maintenance costs, improved transportation, health care, travel, dining out, basic necessities, or any purpose you choose.

When must the loan be repaid?

Lenders cannot require repayment until the entire loan becomes due, the borrower no longer occupies the home, the home is sold, or an event occurs which jeopardizes the lender's security and is specified in the loan documents.

Borrowers can choose to repay all or part of the loan at any time without a penalty.

Can the lender take my house?

The lender does not take title to your home, even upon your death -- but -- your heirs **must** pay off the loan before they can assume ownership. If your heirs choose not to repay the loan, the lender then takes ownership as payment for the Reverse Mortgage loan.

How safe is this type of loan?

The loan is very safe and secure -- particularly if you get a HUD-sponsored Reverse Mortgage which is protected and insured through the FHA, who guarantees that your payments will be received as scheduled. Even if a reverse mortgage is not HUD-sponsored, lenders must disclose any interest or other fees, and if the lender promises to make periodic payments to the borrower, the lender cannot reduce either the number or the amount based on a change in the interest rate. **No** repayment needs to be made for as long as you live in your home. **No** monthly payments are required from you. **Remember** that lenders who are not FHA-insured may also offer Reverse Mortgage loans.

What are my obligations?

In keeping your end of the loan agreement, you must:

- 🏡 Stay current with all taxes and insurance payments;
- 🏡 Maintain your property and have replacement value insurance;
- 🏡 Continue to occupy the home as your primary residence;
- 🏡 Not violate any city or governmental building code; and
- 🏡 Meet minimum property standards for your community.

How do I apply for a Reverse Mortgage loan?

Borrowers should take advantage of information on Reverse Mortgages available from independent third parties before making a Reverse Mortgage commitment.

The Department of Housing and Urban Development requires that you attend a free informational session with a housing counselor at an agency that has been pre-approved by HUD before you can apply for a FHA-insured Reverse Mortgage. **Even if your lender is not HUD-approved, you may still want to take advantage of the counseling.**

During this session, you will receive guidance on various housing options that may be right for your particular needs. After counseling, you will be given a certificate, which you must have with you if you choose to apply for a

FHA-insured Reverse Mortgage loan. A HUD-approved lending institution cannot and will not offer a Reverse Mortgage loan without this evidence of counseling.

Cautious and practical homeowners should consult trusted friends, relatives and/or legal advisors before entering into a Reverse Mortgage commitment.

Where can I find a counseling agency?

Call the Illinois Department on Aging's **Senior HelpLine**:

1-800-252-8966
(Voice and TDD)

Trained information and referral specialists can put you in touch with the nearest available counselor.

The American Association of Retired Persons (AARP) can provide additional information on Reverse Mortgages. Write: AARP's Home Equity Information Center, 1909 K Street, N.W., Washington, D.C. 20049. You will receive a copy of *Home-Made Money* and a list of FHA-approved lenders.

The Illinois Department on Aging does not discriminate in admission to programs or treatment of employment in programs or activities in compliance with the Illinois Human Rights Act; the U.S. Civil Rights Act; Section 504 of the Rehabilitation Act; the Americans with Disabilities Act of 1990; the Age Discrimination Act; the Age Discrimination in Employment Act; and the U.S. and Illinois Constitutions. If you feel you have been discriminated against, you have a right to file a complaint with the Illinois Department on Aging, for information, call Senior HelpLine: 1-800-252-8966 (voice and TDD).